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BRITISH COLUMBIA

Ministry of Finance and Corporate Relations

Economic Review and Outlook
March 2001

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ECONOMIC REVIEW AND OUTLOOK

Overview

Economic Review and Outlook 1
Topic Boxes:
The Economic Forecast Council 15
Regional Economic Developments 19

Tables:
Table 1: Gross Domestic Product — British Columbia and Canada 25
Table 2: Components of British Columbia Real GDP Market Prices 26
Table 3: Income and Expenditure 27
Table 4: Labour Market Indicators 28
Table 5: British Columbia Employment by Sector 29
Table 6: Economic Assumptions 30
Table 7: Financial Markets 31
Table 8: Selected Growth Rates 32

Report A BRITISH COLUMBIA ECONOMIC REVIEW AND OUTLOOK

Overview[1]

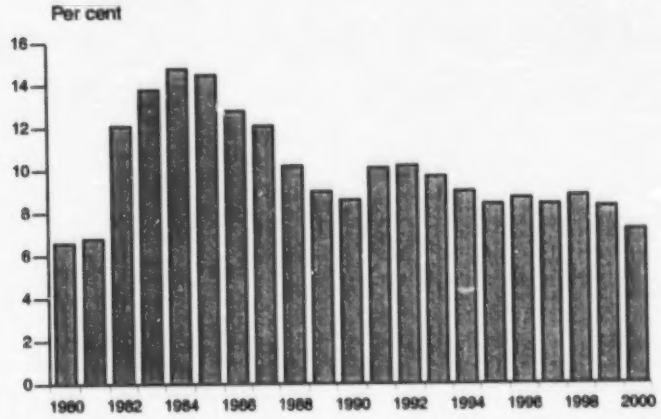
The economy grew 3.4% in 2000

The British Columbia economy grew an estimated 3.4 per cent in 2000, up from 2.1 per cent in 1999. Exports and manufacturing shipments grew strongly early in the year. During the second half, manufacturing shipments slowed due to weaker activity in the U.S. while energy exports soared due to rising prices.

Employment rose during the year and the unemployment rate fell from 8.3 per cent in 1999 to 7.2 per cent, its lowest level since 1981 (see Chart A1). Strong growth in the number of full-time jobs boosted the total number of hours worked and labour income in 2000. This contributed to the fastest growth in retail spending since 1995. Residential construction remained weak, although housing starts picked up in the fourth quarter.

The unemployment rate was the lowest since 1981

Chart A1
BC Unemployment Rate



Source: Statistics Canada

In 2001, the economy is expected to grow 2.4 per cent. In 2002, growth of 2.9 per cent is forecast. Most forecast uncertainty this year and next relates to the length and depth of the U.S. slowdown that is currently underway, and to the shape of the eventual recovery.

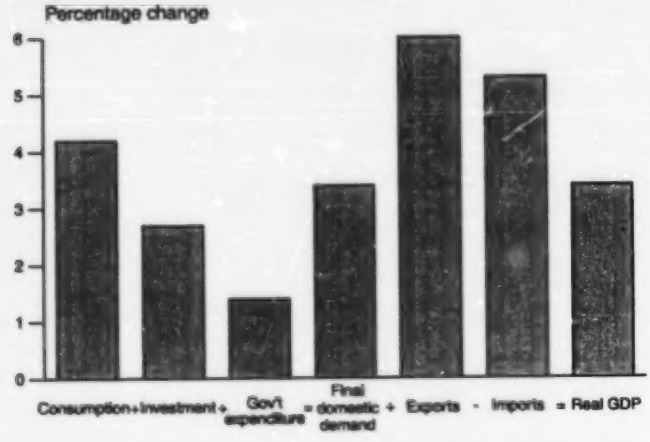
The British Columbia Economy: 2000 Performance

Last year, the economy strengthened and growth became more evenly balanced between the external and domestic sectors.

[1] This report incorporates information available as of March 2, 2001. All annual and quarterly references are for the calendar year.

Growth is currently estimated at 3.4 per cent, up from 2.1 per cent in 1999. Growth in consumption expenditures and exports led the way (see Chart A2).

Chart A2
BC Real GDP Growth, 2000 Estimate



Source: Ministry of Finance and Corporate Relations. Inventory change small, so not shown.

Business Conditions

Overall business conditions improved . . .

- Non-energy export and manufacturing activity was strong during the first half of 2000, but slowed during the second half as the U.S. economy cooled.
- Corporate profits before taxes are estimated to have risen slightly in 2000 after a large rise in 1999.
- Conditions were good in some sectors and poor in others.
- In the resource sector:
  - — The forest industry recovery in 1999 was partly reversed in 2000 by a sharp decline in lumber prices; however, pulp and newsprint prices increased during the year and industry profits rose.
  - — The volume of mining production increased.
  - — The energy sector benefited from a surge in prices.

. . . and corporate profits rose

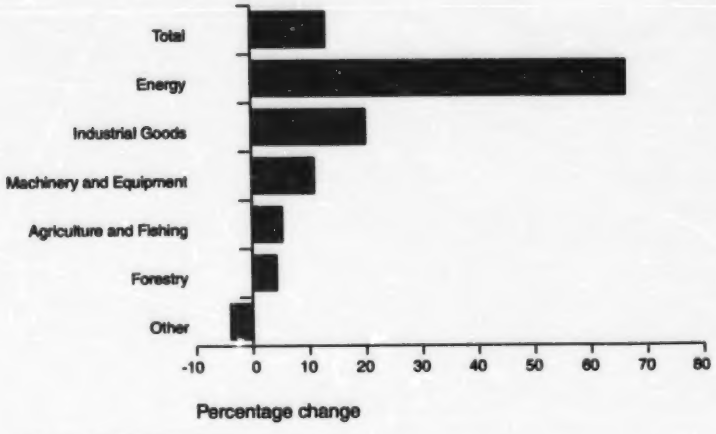
- In the high-technology industries, sales revenue continued to grow faster than in other parts of the economy. However, with investors' growth expectations far exceeding reality in many cases, technology firms' stock prices plunged in March and again in the fourth quarter. Money for expansion became more difficult to obtain. Some dot-com fledglings closed their doors, and others scaled back expansions.
- In the non-residential construction industry, building permits showed little change. Office and industrial vacancy rates fell and rents began rising.
- Overall tourism activity increased slightly, but hotel occupancy rates dropped and consolidation in the airline industry and fare increases reduced domestic travel.
- In agriculture and agri-food, employment rose slightly and farm cash receipts rose. Food and beverage shipments changed little.

By the numbers: key business indicators in 2000

Exports rose strongly . . .

➤ The total value of foreign merchandise exports rose 13.2 per cent. Energy exports surged during the second half of 2000 due to a sharp increase in natural gas and electricity export prices. Excluding energy, exports rose 6.5 per cent. Exports of machinery, equipment and industrial goods rose 15.6 per cent (see Chart A3).

Chart A3
Export Growth by Commodity, 2000

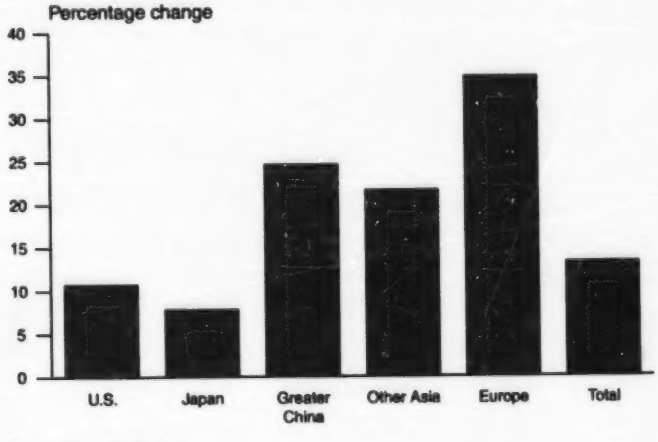


Source: Statistics Canada

. . . boosted by energy prices

➤ Exports to the United States rose 10.7 per cent; in 1999 they increased almost 20 per cent. Exports to Japan rose 7.8 per cent, and to Europe 35 per cent, despite the depreciation of the Euro against the Canadian dollar (see Chart A4).

Chart A4
BC Export Growth by Major Market, 2000



Source: Statistics Canada

➤ The value of manufacturing shipments rose 3.9 per cent for the year. However, electrical/electronic shipments led the way with an increase of 14.4 per cent.

➤ Most of the gain in the value of merchandise exports was due to higher volumes.

Mining and forestry output increased

➤ Lumber production rose about 2 per cent, pulp and paper 5.4 per cent.

➤ Natural gas production and electricity generation were up slightly. Coal production rose nearly 4 per cent, despite the permanent closure of the Quintette mine in August.

➤ Copper output rebounded sharply in 2000 following the six-month shutdown of Highland Valley copper in 1999. Production of lead, zinc, molybdenum, and silver also rose significantly. Gold production was unchanged.

➤ Cargo tonnage handled by the Port of Vancouver rose 7 per cent. Container traffic reached new highs with outbound traffic increasing 11 per cent and inbound traffic up 6 per cent.

➤ Air cargo traffic through the Vancouver International Airport declined 6.4 per cent.

High-tech expansion reduced office and industrial vacancy rates

➤ In greater Vancouver, the office vacancy rate fell to 2.3 per cent, the lowest level in 20 years. The high-tech sector accounted for over half of all office space absorption in 2000. The industrial vacancy rate was the lowest in 10 years at 1.9 per cent in 2000. The downtown retail vacancy rate was also low and rents increased.

➤ In the Victoria region, the overall office vacancy rate continued to fall in 2000, to 4.7 per cent, its lowest level since 1995. High-tech companies accounted for 28 per cent of office absorption in 2000, causing the vacancy rate to fall in the downtown area. High-tech also accounted for more than half of the absorption of new industrial space in the region. Retail construction slowed after three years in which significant shopping centre and big-box space was added. The downtown retail vacancy rate rose in 2000 following the closure of two department stores.

➤ Business incorporations rose 2.4 per cent while bankruptcies fell 9.2 per cent.

The Labour Market

- The unemployment rate fell from 8.3 per cent in 1999 to 7.2 per cent in 2000.

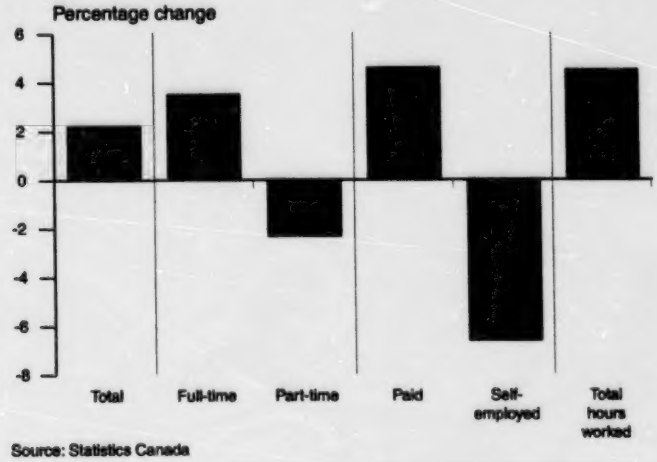
The job market strengthened . . .

- Employment, as measured by the number of jobs, rose 2.2 per cent.
- Full-time paid employment accounted for all of the job gains; the number of part-time jobs and self-employed people declined. As a result, total hours worked in the economy rose 4.5 per cent (see Chart A5).
- Employment rose 4.5 per cent in goods-producing industries, while it rose 1.6 per cent in the service sector.

. . . as full-time, paid employment rose

- The labour force grew 1.0 per cent, while the participation rate (the percentage of people 15 years of age and over in the work force) fell from 65.1 per cent to 64.9 per cent, compared to the recent peak of 67.2 per cent in 1994.
- Net in-migration in 2000 is estimated at just over 20,000, down from 24,500 in 1999. B.C.'s population grew 0.9 per cent, the third consecutive year it has been at or below 1 per cent.

Chart A5
2000 BC Employment Growth



Source: Statistics Canada

- Labour income grew an estimated 6.4 per cent, boosted in part by a pay equity settlement paid to some former federal employees. Wage settlements in collective agreements involving 500 or more employees averaged 1.6 per cent, up from 0.8 per cent in 1999.

The Consumer Sector

Retail sales posted biggest gain since 1995

- Retail sales (in current dollar terms) rose 6.2 per cent, the strongest growth since 1995.
- The British Columbia component of the Conference Board's Index of Consumer Attitudes was up for the year, rising early in 2000 and falling in the final quarter.
- The number of cars and light trucks sold rose 6.9 per cent.
- Wholesale trade increased 2.1 per cent.
- Restaurant, caterer and tavern revenues for the year rose 7.9 per cent.

Tourism increased

- The number of overnight visitors to B.C. increased 1.4 per cent. Vancouver International Airport passenger volumes rose just 1.3 per cent while the number handled in Victoria fell as extensive restructuring in the domestic airline industry reduced capacity. The number of cruise ship passengers sailing through the Port of Vancouver rose 11 per cent to exceed one million for the first time.

Housing remained weak

- Housing starts fell 11.6 per cent and the value of residential building permits declined. Repairs and renovations to condominiums built during the mid-1990s were a major source of activity for many firms. The number of residential sales fell 6.7 per cent. New home prices were down about 5 per cent while existing home prices rose 2.8 per cent.
- Consumer bankruptcies rose by 1,000 or 12.3 per cent.
- The consumer price index rose 1.9 per cent in 2000. Energy accounted for about 1.4 percentage points of the increase in the CPI.

British Columbia Economic Outlook[2]

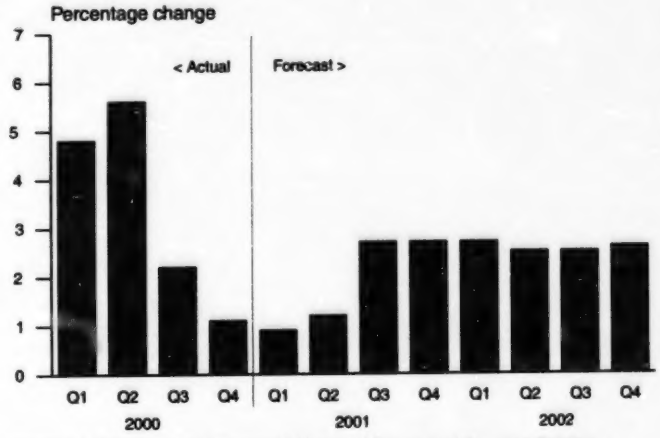
Growth in the economy is expected to slow in 2001, reflecting the emerging slowdown in the rest of North America. Declining interest rates, tax cuts and energy rebates should help cushion the British Columbia consumer.

• *External Conditions and Influences*

North America — The United States economy slowed sharply late in 2000, growing at an annual rate of just 1.1 per cent in the fourth quarter, compared to 5.0 per cent for the full year. The slowdown continued into 2001, resulting in two Federal Reserve interest rate reductions totalling a full percentage point in January. Most forecasters expect that the U.S. economy will be weakest during the first half of the year. The current consensus forecast of 2.3 per cent suggests that growth will rebound to 3 or 3.5 per cent in the second half. The budget forecast assumes that the U.S. will grow 1.8 per cent for the full year with a slower pace of recovery, as shown in Chart A6. This implies further interest rate reductions are likely in the second quarter.

U.S. economic slowdown is underway

Chart A6
U.S. Quarterly Real GDP Growth

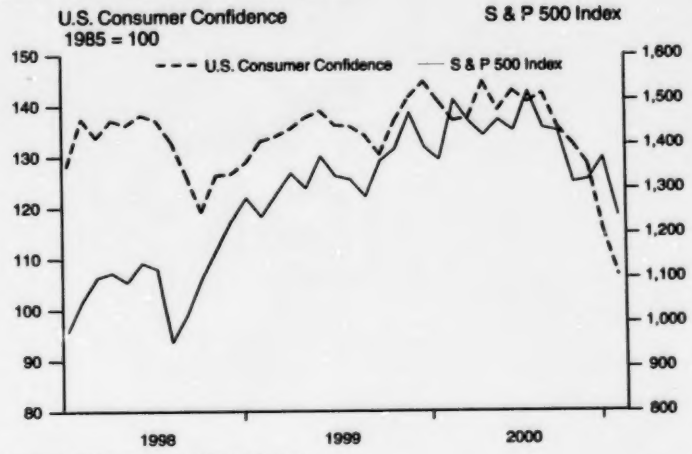


Source: U.S. Department of Commerce & Ministry of Finance and Corporate Relations

The chairman of the U.S. Federal Reserve has pointed out that consumer confidence is the key to whether the U.S. downturn is brief — six months or so — or develops into a lengthier and deeper contraction. The performance of the stock market now seems to be a more important factor in the evolution of consumer expectations about the economy than in the past (see Chart A7). Other important factors will be the extent of the correction in business inventories and the pace of capital spending, particularly on machinery and equipment.

[2] A description of the Ministry of Finance's economic forecasting process, methodology and econometric model can be found in *The British Columbia Macroeconomic Model*. This 1999 working paper is available in the "Publications" section of the Ministry's Web site: www.fin.gov.bc.ca or by writing to the Communications Branch, Ministry of Finance and Corporate Relations, P.O. Box 9417, STN PROV GOVT, Victoria, British Columbia, V8W 9V1.

Chart A7
U.S. Consumer Confidence Index



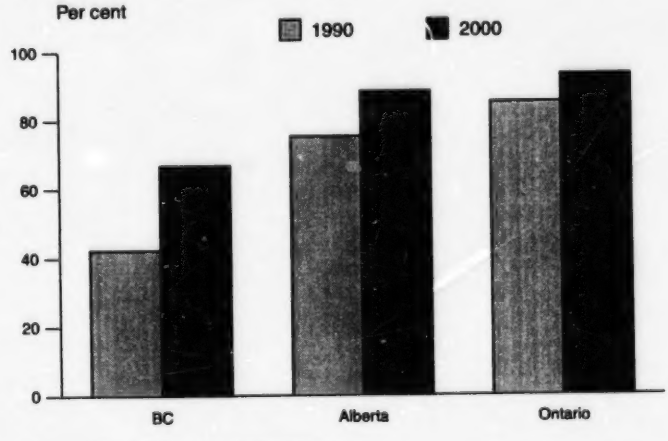
Source: Conference Board, Bank of Canada

Canada's economic performance tied to U.S. outlook

The downturn in U.S. growth will reduce Canada's growth prospects. The current consensus outlook of 2.8 per cent Canadian growth is likely to decline further as analysts incorporate new U.S. data and forecasts. The budget forecast assumes that Canada will grow 2 per cent, slightly faster than the U.S., before recovering to around 2.5 per cent in both countries in 2002.

The impact of the U.S. slowdown will be felt unevenly across Canada. Trade with the United States has become more important to every province over the last decade,

Chart A8
U.S. Share of Merchandise Exports



Source: Statistics Canada, Industry Canada

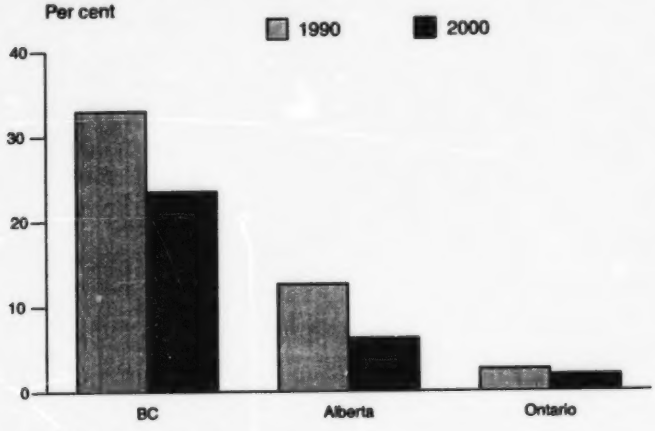
British Columbia less exposed to U.S. slowdown

reflecting strong economic growth and liberalization of trade. However, most regions are more dependent on the U.S. market than British Columbia. Ontario, in particular, relies heavily on trade in autos and parts with the U.S. British Columbia's trade is more diversified (see Charts A8 and A9) and, therefore, the province is less exposed in the near term to a U.S. slowdown.

Europe — The forecast assumes that the European economies will grow 2.8 per cent in 2001 and 2.7 per cent next year. This is down slightly from 2000.

Asia — Japan's economy grew an estimated 1.6 per cent in 2000, better than the 0.8 per cent in 1999. Industrial production and business investment picked up in 2000 but this failed to translate into stronger domestic spending, which was depressed due to a weak job market and soft consumer sentiment. The Japanese economy is expected to grow 1.5 per cent in 2001 and 2.0 per cent in 2002.

Chart A9
Asian Share of Merchandise Exports



Sources: Statistics Canada, Industry Canada

Asian economy: solid growth, outside Japan

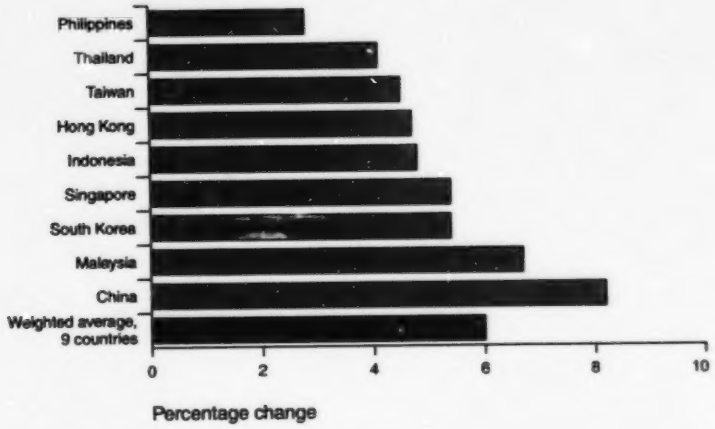
Elsewhere in Asia, growth of about 6 per cent is expected (see Chart A10). China's economy is expected to grow 8 per cent, similar to its 2000 performance. Other economies in the region are expected to grow 4 to 5 per cent. Continued political and financial difficulties could lead to under-performance in South Korea, the Philippines and Thailand.

More interest rate declines likely

Interest and Exchange Rates — Based on the global outlook discussed above, North American short-term interest rates are forecast to decline through mid-year. The forecast assumes that slower growth will cause energy prices to decline and inflation to level off, moderating inflation fears and allowing longer-term interest rates to fall.

The Canadian dollar is expected to appreciate against its U.S. counterpart over the next two years, averaging 66.4 U.S. cents in 2001 and 68.0 U.S. cents in 2002.

Chart A10
2001 Asian Growth



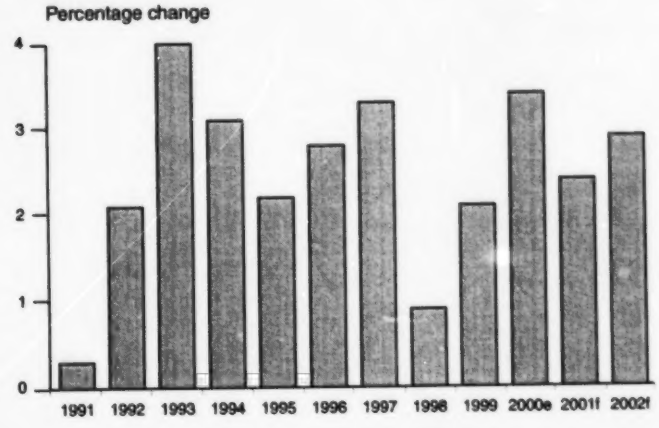
Source: Nomura Research Institute, January 2001

• *British Columbia Real GDP Outlook*

B.C. economy expected to grow 2.4% in 2001

Real GDP is expected to increase 2.4 per cent in 2001 and 2.9 per cent in 2002 (Chart A11). This is the same as the average forecast of the Minister of Finance's Economic Forecast Council when it met in January 2001 (see topic box for details).

Chart A11
BC Real GDP Growth



Sources: Statistics Canada & Ministry of Finance and Corporate Relations

- ***External Trade Outlook***

Goods and service export volumes are expected to increase 3 per cent in 2001 and 2.8 per cent in 2002, less than in 1999 and 2000 due to the slowdown in North America. Non-resource manufactured exports are expected to grow more rapidly than most other categories, reflecting growth in demand for electronics and other British Columbia high-technology products.

Import volumes are expected to rise 2.4 per cent in 2001 and 2.9 per cent next year.

U.S. slowdown will reduce export growth

In 2000, overall British Columbia export prices rose more than expected as the surge in energy prices offset a decline in lumber prices. There is even more uncertainty about the outlook for export prices than usual, principally relating to hard-to-predict external events and decisions that will affect electricity, natural gas and lumber. As a result, there is also considerable uncertainty about overall export earnings, corporate profits and capital investment in the coming year.

This year, export prices are expected to be higher on average than in 2000 (mainly reflecting the run up in energy prices late in 2000) but will fall in 2002 as energy prices retreat from recent highs. Goods and service export prices are forecast to rise 3.0 per cent this year and decline slightly in 2002. Import prices are expected to advance 2.3 per cent this year and 1.7 per cent in 2002.

- ***Consumer Expenditure Outlook***

Consumer spending grew more rapidly in 2000 as a recovery in consumer confidence beginning late in 1999 paved the way for stronger spending. More recently, consumer confidence has begun to show signs of softness, similar to the rest of North America.

Policy actions will buoy consumer spending

The economic backdrop for retailers and consumers is less favourable than a year ago. Stock market declines, a low personal saving rate and a soft housing market are other negatives. However, federal tax cuts, the continued phase-in of previously-announced provincial tax reductions, and lower interest rates will raise personal disposable income and help to sustain growth in consumer spending. Population growth will also pick up strength relative to 2000, and help to buoy consumer markets. In-migration is expected to rise from an estimated 20,000 last year to 30,000 this year and 46,000 next year.

Consumer spending is expected to grow 1.8 per cent in real terms in 2001 and 2.1 per cent in 2002 (Chart A12). Retail sales in current dollars (as defined by Statistics Canada) are forecast to increase 3.5 per cent this year and 3.8 per cent in 2002.

Moderate gains in housing activity expected

Housing starts are forecast at 15,300 units in 2001 and 17,200 units in 2002, up from 14,418 starts in 2000. This mainly reflects pent-up demand and higher in-migration. The Canada Mortgage and Housing Corporation is projecting a 2.7 per cent rise in home sales to 55,700 in 2001 and a further 4.1 per cent increase to 58,000 sales in 2002. The agency expects the average B.C. home price to rise in line with inflation over the next two years.

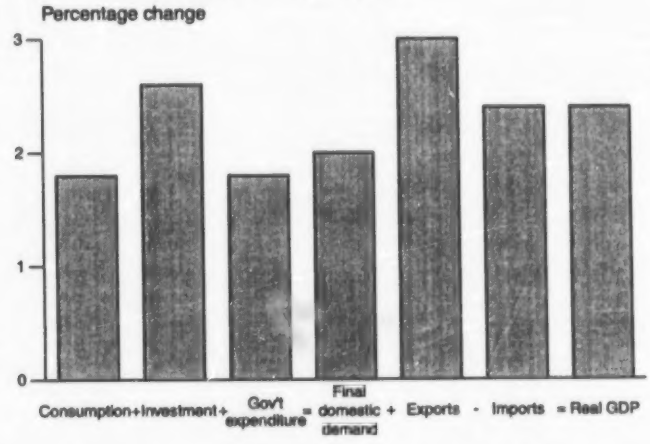
- ***Capital Investment Outlook***

Capital spending forecast to increase . . .

Overall capital investment is expected to increase 2.6 per cent in real terms in 2001, about the same pace as in 2000:

- Machinery and equipment investment is expected to rise 6 per cent in real terms this year.
- Construction investment is expected to increase about 1 per cent.

Chart A12
BC Real GDP Growth, 2001 Forecast



Source: Ministry of Finance and Corporate Relations. Inventory change: 0.2% of 2000 real GDP

The mix of investment will be considerably different across sectors and industries than in 2000. A Statistics Canada survey suggests more investment will occur in the forest sector. After nearly doubling last year, investment in oil and gas extraction is expected to decline slightly. Capital expenditures in the information and cultural sector, where many "new economy" firms are found, is expected to slow. Transportation and warehousing expenditures are another area of weakness, likely reflecting the completion of some large projects such as the Alliance pipeline. New pipeline projects are in the proposal and planning stages.

The outlook for machinery and equipment investment is particularly uncertain in the current economic climate.

. . . but outlook for high-tech investment uncertain

The forces propelling rapid investment in machinery and equipment in North America in recent years have weakened significantly over the last few months. Nationally, a recent Statistics Canada survey shows a 2.5 per cent drop in planned machinery and equipment investment in 2001. Investment in the automotive and telecommunications sectors and other high-technology firms is slowing markedly from earlier projections, due to declining sales and profit forecasts and the emergence of over-capacity for some key products. As well, the technology-led decline in North American stock markets has made it much more difficult for firms to finance investment. These trends affect British Columbia firms as well.

- ***Government Operating Expenditure Outlook***

Spending by all levels of government in British Columbia is estimated to have increased 1.4 per cent in real terms in 2000. The forecast assumes a faster rate of growth in inflation-adjusted expenditures over the next two years.

- ***Employment and Income Outlook***

Employment and income gains will moderate in 2001

Employment, measured by the number of jobs, is expected to increase 2.2 per cent in 2001, the same pace as in 2000. However, the growth in total hours worked is likely to moderate in both years, resulting in slower growth in total labour income than in 2000.

After last year's large decline to 7.2 per cent, the unemployment rate is forecast to increase to slightly to 7.4 per cent in 2001.

The external slowdown is likely to cause corporate pre-tax profits to grow slowly over the next two years. As noted earlier, the profit outlook is highly uncertain due to potential developments affecting electricity, natural gas and lumber prices.

Nominal GDP is expected to increase 4.0 per cent in 2001 and 3.4 per cent in 2002.

- ***Inflation Outlook***

B.C. inflation is expected to remain under 2%

As in the rest of Canada, rising prices for gasoline, natural gas and heating oil boosted British Columbia's inflation rate in 2000. Energy prices are expected to remain high by recent standards, but their impact on the British Columbia inflation rate should fade through the coming year. As a result, the consumer price inflation rate is forecast at 1.7 per cent in 2001 and 1.6 per cent in 2002.

- ***Forecast Uncertainties***

There are several areas of uncertainty in the forecast. Most of these involve factors external to British Columbia.

Key uncertainties include degree of U.S. slowdown and energy price outlook

- The extent of the U.S. downturn and its impact on British Columbia and other provinces.
- The policy response to the slowdown by the U.S. and Canadian governments, the Federal Reserve and the Bank of Canada. Will governments cut taxes or increase spending? Will central banks reduce interest rates further?
- The outlook for energy prices, which is not only tied to the U.S. outlook and to the weather in the coming months, but also to policy decisions in California and other states that will affect the electricity supply and demand.
- The impact of Canada-U.S. softwood lumber trade negotiations on prices and exports.
- Japan's economic outlook.
- A medium term issue — could U.S.-type productivity gains spill over into Canada and British Columbia to boost potential economic growth above forecast levels?

TABLE A1
BRITISH COLUMBIA ECONOMIC OUTLOOK

	Budget Forecast	Actual/ Estimate	Forecast	
	2000		2001	2002
Gross Domestic Product (current dollars; percentage change)	3.8	5.3[1]	4.0	3.4
Real Gross Domestic Product (1992 dollars; percentage change)	**2.2**	**3.4[1]**	**2.4**	**2.9**
Consumer Expenditure	1.5	4.2	1.8	2.1
Capital Investment	3.8	2.7	2.6	5.7
Government Expenditure	1.4	1.4	1.8	1.6
Exports of Goods and Services	4.3	6.0	3.0	2.8
Imports of Goods and Services	2.6	5.3	2.4	2.9
Inventory Investment (change in billions of 1992 dollars)	−0.3	−0.1	0.2	0.2
Minister's Economic Forecast Council — Real GDP growth	**2.2**	**3.0**	**2.4**	**2.9**
Population (percentage change)	1.1	0.9	1.2	1.2
Net In-migration	36,800	20,100[1]	29,600	45,600
Interprovincial	7,700	−11,800	—	13,500
International	29,100	31,900	29,600	32,100
Labour Force (thousands)	2,123	2,100	2,151	2,213
(percentage change)	2.1	1.0	2.4	2.9
Employment (thousands)	1,949	1,949	1,992	2,054
(percentage change)	2.3	2.2	2.2	3.1
Unemployment Rate (per cent)	8.2	7.2	7.4	7.2
Retail Sales (millions of current dollars)	34,600	35,755	37,010	38,420
(percentage change)	2.8	6.2	3.5	3.8
Labour Income[3] (millions of current dollars)	64,550	67,490	69,990	72,860
(percentage change)	3.7	6.4	3.7	4.1
Corporate Pre-tax Profits (millions of current dollars)	8,225	9,160[2]	9,530	9,290
(percentage change)	15.0	4.0	4.0	−2.5
Housing Starts (units)	18,000	14,418	15,300	17,200
(percentage change)	10.4	−11.6	6.1	12.4
Consumer Price Index (1992=100)	112.6	113.3	115.2	117.0
(percentage change)	1.3	1.9	1.7	1.6

[1] Ministry of Finance and Corporate Relations estimates.
[2] Levels are not comparable to 2000 budget document due to Statistics Canada data revisions.
[3] Wages, salaries and supplementary labour income.

TABLE A1
BRITISH COLUMBIA ECONOMIC OUTLOOK — *Continued*

	Budget Forecast	Actual/ Estimate	Forecast	
	2000		2001	2002
Key Assumptions:				
Economic Growth (percentage change in real GDP)				
Canada	3.4	4.7	2.0	2.5
United States	3.5	5.0	1.8	2.5
Japan	0.5	1.6	1.5	2.0
Europe	2.8	3.3[1]	2.8	2.7
Housing Starts (percentage change)				
Canada	4.3	1.1	2.2	3.3
United States	−8.3	−4.5	−7.1	1.4
Japan	0.8	1.3	0.7	0.0
Industrial Production (percentage change)				
United States	3.7	5.6	2.0	2.8
Japan	3.0	5.3	3.5	2.6
Consumer Prices (percentage change)				
Canada	2.2	2.7	2.4	2.0
United States	2.6	3.4	2.7	2.5
Canadian Interest Rates (per cent; annual average)				
3-month Treasury Bills	5.4	5.5	4.8	5.0
10-year and over Government of Canada bonds	6.7	5.9	5.3	5.3
United States Interest Rates (per cent; annual average)				
3-month Treasury Bills	6.2	5.8	4.9	4.8
10-year and over U.S. Government bonds	7.1	6.1	5.3	5.3
U.S. cents/Canadian dollar	69.4	67.3	66.4	68.0
Commodity Prices				
BC Goods and Services Export Prices (Cdn $; percentage change)	2.5	2.8	3.0	−0.2
Spruce-Pine-Fir Lumber (U.S. $/1,000 board feet)	323	255	225	250
Pulp (U.S. $/tonne)	650	681	650	650
Newsprint (U.S. $/tonne)	541	564	618	625
Copper (U.S. $/lb.)	0.85	0.82	0.80	0.80
Lead (U.S. $/lb.)	0.23	0.21	0.18	0.20
Zinc (U.S. $/lb.)	0.57	0.51	0.51	0.55
Gold (U.S. $/oz.)	285	279	280	300
Aluminum (U.S. $/lb.)	0.62	0.70	0.72	0.73
Natural Gas (U.S. $/gigajoule)	1.99	2.94	4.25	3.05
Coal (U.S. $/tonne)[2]	40	40.5	37	37

[1] Ministry of Finance and Corporate Relations estimates.
[2] Weighted average of metallurgical and thermal coal prices.

THE ECONOMIC FORECAST COUNCIL

Background

On January 11, the Honourable Paul Ramsey, Minister of Finance and Corporate Relations, met with the Economic Forecast Council (the Council). This was the second year that the Council has gathered since its establishment by legislation in 1999. The *Budget Transparency and Accountability Act* requires the Council to meet annually.

The 18-member Council is the successor to the economic forecasting conferences held from 1997 to 1999. The Council members are appointed based on their expert knowledge of the British Columbia, Canadian and world economies, as well as their economic forecasting experience.

Council members were asked to submit a forecast survey prior to the meeting on January 11, 2001. Sixteen members submitted forecasts. The results are summarized at the end of this topic box.

As with previous Council meetings and economic forecast conferences, Council members presented their views on the province's near-term economic outlook, as well as factors affecting the province's medium-term outlook.

Report on Forecast Council Meeting

Overview

The general view of the Council was that the British Columbia economy would continue to post modest growth in 2000 and 2001, while the Canadian economy would outpace the United States over the next two years.

An emerging U.S. economic slowdown was evident in some participants' forecasts and the discussion. The Asian economies were expected to continue growing although participants expressed concerns about the slow pace of economic recovery in Japan, a key market for British Columbia.

International Developments

Several participants said that downward forecast revisions would continue, as the U.S. economic slowdown would be felt most during the first half of 2001; most felt that the U.S. economy would stabilise in 2002. There were two views about the extent of the slowdown.

- Most Council members expected the U.S. Federal Reserve ("the Fed") to cut interest rates in the next three months to achieve a "soft landing". As a result, the probability of a recession in the U.S. is low. One participant pointed out that after a year of 5 per cent economic growth, 2 or 2.5 per cent growth in the U.S. would feel like a recession.
- However, a few participants believed interest rate cuts would prove to be too little and too late, and that a U.S. recession is very likely.

Most agreed that the fast deteriorating stock market, weakening manufacturing, and falling corporate profits and consumer confidence may prompt the Fed to cut interest rates aggressively.

Council members generally agreed that economic growth in Europe and Asia would not slow dramatically, although the Japanese outlook remains highly uncertain.

The Canadian Economy

The Council expected that the Canadian economy would grow at a slower pace in the next two years, but faster than the U.S. The consensus was that economic growth would average 2.9 per cent in 2001, with forecasts ranging from 0.2 per cent to 3.5 per cent. The Canadian economy is expected to pick up pace in 2002, with growth averaging 3.4 per cent.

Some participants said that Canada is about to experience a period of accelerating productivity growth as a result of high levels of investment in new technology in recent years. In addition, tax cuts will cushion Canada from a spill-over of the U.S. economic slowdown.

Financial Markets

Volatility in financial markets is a major concern for the U.S. economy, according to some Council members. One participant predicted that the double-digit profit growth in the past year would turn into a few quarters of losses, keeping downward pressure on stock prices. The decline in high-tech stock prices would contribute to a decline in consumer confidence.

Most participants expected the Fed to continue cutting interest rates. The Bank of Canada would not necessarily follow every Fed move as economic conditions are expected to remain fairly healthy in Canada. Canadian short-term interest rates will be higher, on average, than those in the U.S. in 2001. As a result, most participants felt the under-valued Canadian dollar would rise as the U.S. dollar weakens due to the abrupt economic slowdown. A dissenting view was that the Canadian dollar would be weak in 2001 due to soft commodity prices and possible net outflows of capital (perhaps caused by higher foreign content limits for pension plans).

British Columbia Outlook

On average, participants expected British Columbia's economy to grow 2.4 per cent in 2001 (see chart) after an estimated 3.0 per cent growth in real GDP in 2000. Opinions for 2001 real GDP growth ranged from minus 0.5 to plus 3.1 per cent. One participant believed that provincial growth would be less than zero in 2001, due to a U.S. recession, a broad-based fall in commodity prices and reduced U.S. demand for lumber resulting from plunging housing starts.

External Outlook

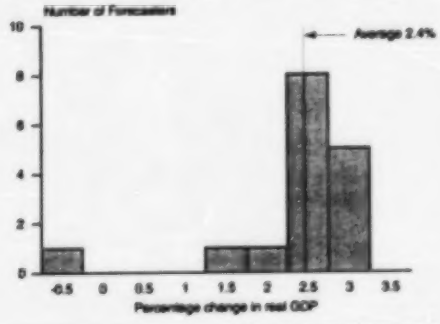
Opinions differed among the Council members as to how the U.S. slowdown would affect British Columbia.

A number of participants forecast a broad-based commodity price drop in 2001, leading to declining revenues and profits for resource companies in B.C.

Participants noted that resource industries remain an important contributor to British Columbia's economy and a significant driver of provincial revenue.

Some believed the slowing economy in the U.S. would have more of an impact on Ontario than on B.C. In this view, Ontario's auto sector is particularly vulnerable to a U.S. downturn. Some participants thought that B.C. could be hurt by a drop in U.S. housing activity, since B.C. lumber producers are the swing suppliers in the U.S. market. However, the opposing view was that the housing market in the U.S. is still strong, and would remain healthy as interest rates fall.

ECONOMIC GROWTH FORECASTS, 2001



Domestic Outlook

Most participants believed that provincial employment would continue to grow, and that the unemployment rate would remain relatively low in 2001. Personal disposable income is expected to rise faster than labour income thanks to tax cuts, leading to higher consumer spending. The pace of population growth was expected to pick up. As a result, the housing sector in the province should improve significantly in 2001. Some thought the information technology sector would be a source of strength for the provincial economy.

However, forecasts for corporate profit growth ranged widely from minus 15 per cent to plus 8 per cent for 2001.

A few participants were skeptical that faster growth in population and housing starts would occur. They also felt that debt levels would constrain growth in consumer spending.

Outlook for 2002

Most participants were more positive about the province's economic outlook in 2002 with average real GDP growth forecast at 2.9 per cent (see chart). The range of opinions regarding next year's growth was also narrower, from a low of 1.5 per cent to a high of 3.6 per cent growth.

Risks to the Outlook

The Council generally believed that although continued Canadian economic growth, recent increases in high-tech investment and tax cuts will contribute to B.C. economic growth in the next two years, risks to the outlook remain. British Columbia's economy is more linked to the U.S. economy than a decade ago, so a slowdown there is more likely to affect B.C. now. In addition, slowing growth in the U.S. may lead to greater protectionism. On the upside, energy prices could remain high resulting in significant export earnings.

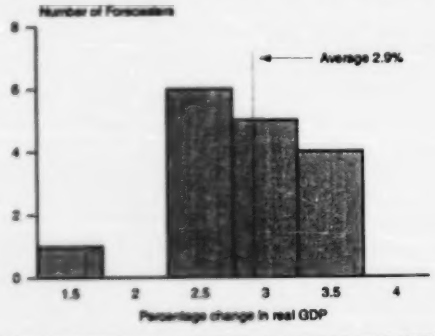
Policy and Longer-term Outlook Issues

During the meeting, Council members raised other policy and long-term issues with the Minister of Finance.

In the near term:

- Several participants pointed out that the recent surge in natural gas revenues could be a one-time windfall. As a result, caution should be taken in planning the budget and expenditures in the coming fiscal year.
- Several members said tax competitiveness was the most important fiscal policy action to boost the economy, particularly with lower-tax Alberta and Washington state next door.
- Other members argued that while tax competitiveness is important, competing with Alberta on taxes is impossible for any Canadian province (due to its massive energy revenue). Some also felt that there was limited fiscal room for tax cuts in B.C.
- Among those members favouring tax cuts, there was a range of opinions about the size and direction of tax cuts. Some emphasized the importance of cuts to personal income and business capital taxes, while others thought small business taxes should be reduced further.

ECONOMIC GROWTH FORECASTS, 2002



- British Columbia is becoming an attractive place for the high-tech industry. However, a few members were concerned that the shortage of skilled labour is becoming a major short- and long-term problem for the high-tech industry in the province.

In the long term:

- Participants believed that British Columbia needs to cultivate a culture of learning and wealth creation, rather than "rent seeking".
- Concerned about lack of managerial skill development/improvement in the provincial labour force, one participant said that a work force with both high-tech and managerial skills will be essential for the province to remain competitive in the global economy.

Conference Participants:

Rod Dobell (Conference Moderator)	University of Victoria
Paul Bowles	University of Northern British Columbia
Don Drummond	Toronto Dominion Bank
Michael Goldberg	University of British Columbia
Peter Hall	Conference Board of Canada
Warren Jestin	Bank of Nova Scotia
Dale Orr	WEFA Canada
Tim O'Neill	Bank of Montreal
David Park	Vancouver Board of Trade
Helmut Pastrick	Credit Union Central of British Columbia
George Pedersson	G.A. Pedersson & Associates
Alister Smith	Canadian Imperial Bank of Commerce
Carl Sonnen	Informetrica Ltd.
Ernie Stokes	Stokes Economic Consulting
William Tharp	M. Murenbeeld & Associates
Craig Wright	Royal Bank

Council members absent:

Jock Finlayson	(Business Council of British Columbia)
John DeWolf	(CCG Consulting)
John Helliwell	(University of British Columbia)

Forecast Survey				
All figures are based on annual averages	*2001 Range of Participants' Opinions*	*2001 Average of Participants' Opinion*[1]	*2002 Range of Participants' Opinions*	*2002 Average Participants' Opinion*[1]
Canada				
— Real GDP (% change)	0.2-3.5	2.9 (16)	2.5-3.9	3.4 (16)
— 3-month interest rates (%)	4.5-6.0	5.3 (14)	4.0-5.8	5.2 (14)
— 10-year (+ over) interest rates (%)	5.0-6.1	5.7 (14)	5.0-6.2	5.7 (14)
— Exchange rate (US cent/ Can. $)	64.0-70.0	67.5 (14)	62.8-72.5	69.4 (14)
British Columbia				
— Real GDP (% change)	−0.5-3.1	2.4 (16)	1.5-3.6	2.9 (16)
— Employment (% change)	−0.7-2.7	1.6 (15)	0.9-3.0	2.0 (15)
— Unemployment rate (%)	6.4-7.9	7.2 (15)	6.0-8.6	7.0 (15)
— Total wage and salary income (% change)	3.5-7.0	4.7 (10)	4.4-8.0	5.7 (10)
— Corporate pre-tax profits (% change)	−15-8.0	0.7 (10)	0.6-12.0	7.6 (10)
— Real business non-residential investment (% change)	−1.5-5.9	3.0 (11)	4.0-15.0	6.3 (11)
— Goods and services export price deflator (% change)	0-2.0	1.3 (5)	1.6-5.0	3.1 (5)
— Housing starts (% change)	−2.0-18.0	6.7 (15)	2.8-20.0	10.1 (15)
— Retail sales (% change)	−3.0-5.9	4.0 (15)	1.5-8.0	4.9 (15)

[1] Based on responses from participants providing forecasts. Number of respondents is shown in parentheses.

REGIONAL ECONOMIC DEVELOPMENTS

Stronger economic conditions in the province were evident in regional economic performance in 2000, although the degree of improvement varied from region to region. In the resource sector, strong U.S. demand and rising pulp and paper prices improved forest companies' financial situation, offsetting the effect of low lumber prices. Surging oil and gas prices boosted the economy in the Northeast region. Mining and agricultural production rose. Non-resource based industries continued to gain a foothold in the regional economies.

In most regions, employment grew and unemployment rates fell. Consumer spending increased. The housing sector continued to show weakness.

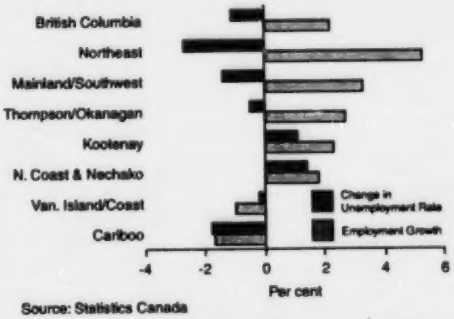
Population

British Columbia's population grew an estimated 0.9 per cent in 2000, slightly up from 0.8 per cent in 1999. The net outflow of inter-provincial migrants to Alberta and Ontario continued into 2000. With the exception of the Northeast, all regions recorded some population growth. The Thompson-Okanagan was the fastest-growing region, followed by the Mainland/Southwest.

Employment and Labour Markets

In 2000, employment growth picked up in most regions. This was an improvement from 1999, when only two regions recorded any employment growth.

REGIONAL LABOUR MARKETS IN 2000

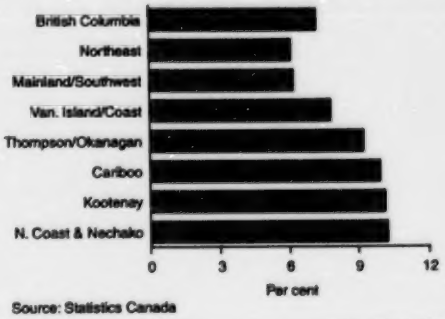


Source: Statistics Canada

The Northeast had the highest job growth rate due to a booming oil and gas industry. Sheer size meant that the Mainland/Southwest region accounted for 85 per cent of the provincial employment gain in 2000.

All regions, with the exception of the Kootenay and North Coast/Nechako, recorded declines in unemployment rates, despite decent increases in employment in these two regions.

REGIONAL UNEMPLOYMENT RATES IN 2000



Source: Statistics Canada

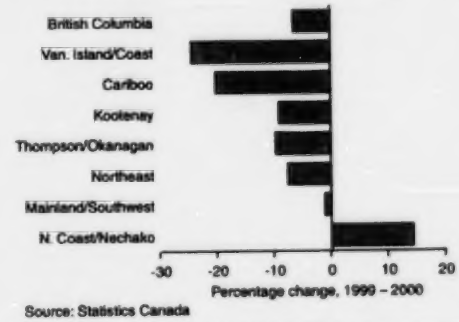
Housing Markets and Construction

Low levels of population growth and concerns about the quality of condominium construction contributed to generally weak housing markets across the province, despite an overall improvement in consumer spending in 2000.

Housing starts declined in the majority of provincial urban centres. In Vancouver and Victoria, starts were down 5 and 35 per cent in 2000, respectively. Starts dropped more than 20 per cent in Nanaimo, Abbotsford and Kamloops. Kelowna was the only city that recorded a rise in housing starts. This was due to a 59 per cent rise in multiple housing starts reflecting demand for retirement homes.

The weakness in housing demand was also reflected in fewer existing homes sold across the province. Existing home sales fell 6.7 per cent in 2000, compared to a 10 per cent rise in 1999. Sales volumes were down in every region. However, existing home prices rose 2.8 per cent on average across the province, up from 1.5 per cent in 1999, with seven of twelve regional real estate boards reporting increases.

TOTAL BUILDING PERMITS IN BC, 2000



Source: Statistics Canada

Six of seven regions recorded declines in the value of residential building permits. However, three regions recorded growth in non-residential construction permits.

Some significant regional construction projects underway or on the drawing board in 2000 included:

- the $1-billion Vancouver International Airport expansion
- the $200-million Kicking Horse ski area in Golden
- the $200-million Creekside residential development in Whistler
- a $125-million Crystal Mountain ski resort in Kelowna
- a $70-million film studio expansion in Burnaby
- the $110-million Harbourside business park in North Vancouver
- the $25-million Broadway Tech Centre and the proposed Tech Park in Vancouver
- a $25-million fuel cell manufacturing facility by Ballard Power in Vancouver
- ongoing sky train construction in Greater Vancouver

Resource Sector Developments

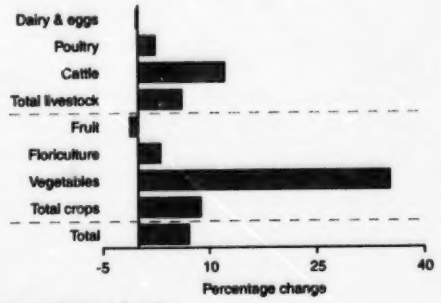
The provincial resource sector experienced a turnaround in 2000, due to stronger external demand. The restructuring of earlier years helped many forest companies cope better with volatile markets. Mining production and agri-food exports rose.

During 2000, a decline in lumber prices was offset by a rise in pulp and newsprint prices. However, the sharp fall in lumber prices in the fourth quarter, resulting from a slowing U.S. economy, led to shutdowns and layoffs around the province. For 2000, ten BC-based public forest product companies reported a 35 per cent rise in net earnings, even though the net sales only rose 9.4 per cent, evidence of cost control and restructuring. Most metals and mineral prices were up and so was production. A large increase in oil and gas prices beginning in the second half of the year benefited the Northeast. The Quintette coal mine near Tumbler Ridge closed in August 2000; even so, provincial coal production rose nearly 4 per cent.

The fisheries sector continues to face many challenges and competition from overseas, but economic conditions have improved since 1998. In 2000, the value of fish product exports rose 5.9 per cent, while fishing employment rose 20 per cent.

Although agriculture is one of British Columbia's oldest industries, it has been taking a new direction by venturing into new products including organic foods and new production methods such as large greenhouse operations. B.C. agriculture is located mainly in the Okanagan, Fraser Valley, Peace River area and Vancouver Island.

B.C. FARM CASH RECEIPTS, 2000



Source: Statistics Canada

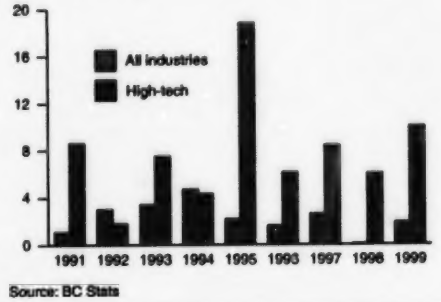
Cash receipts of B.C. farmers were up 7.0 per cent to $2.1 billion, following a 5.8 per cent increase in 1999. Vegetable production, located mainly in the Fraser Valley, showed the largest growth to a total annual value of $306 million, thanks to a boom in hothouse production. After a slow year in 1999, floriculture located in the Lower Mainland and on southern Vancouver Island expanded to $310 million in 2000. Livestock and dairy production rose 6.1 per cent to $1.1 billion. B.C.'s ginseng sales rose 27 per cent in 2000, as a result of reduced output by other producers and increased demand from Asia.

High-tech

High-tech growth has exceeded overall British Columbia economic growth in recent years, with employment doubling in the past ten years. In 1999, more than 50,000 workers were employed in the high-tech sector.

HIGH-TECH EMPLOYMENT IN BC

Percentage change



Source: BC Stats

The pace of high-tech development in the regions has been faster than in the two major metropolitan areas (Greater Vancouver and the Capital region). According to BC Stats, the number of high tech industry establishments in the province grew an average of 9.2 per cent annually between 1995 and 1999. In

contrast, the number of high tech establishments outside the Greater Vancouver and Capital regions advanced 11 per cent annually.

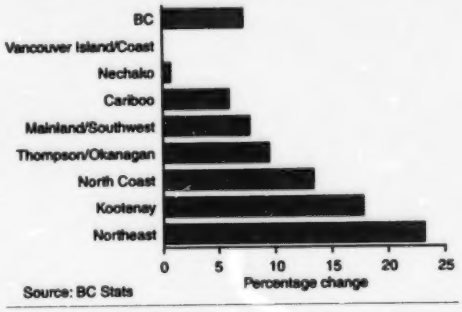
In addition to Vancouver and Victoria, areas that attracted most high-tech establishments included Nanaimo, Kelowna, Prince George, and small centres such as Nelson, where land and housing are more affordable.

Transportation, Tourism and Film

Tourism continued to be a major contributor to the province's economy, although the number of overnight visitors rose just 1.3 per cent last year. It is estimated by Tourism B.C. that tourism revenue reached $9.5 billion in 2000, a new high, and up from 1999's $9.2 billion. Activities such as wine-tourism in the Okanagan, whale-watching and fishing on the coast, cruises on the Inside Passage, skiing and new attractions such as adventures in B.C.'s wilderness and eco-tourism are gaining popularity in the world market.

HOTEL ROOM REVENUE BY REGION

Jan – Aug 1999 to Jan – Aug 2000



Source: BC Stats

Winery-tourism has been a key driver of tourism activity in the Okanagan, generating an estimated $72 million in accommodation revenues. The cruise ship industry has become an integral part of the province's tourism industry, contributing $500 million annually to the B.C. economy, according to the Vancouver Port Authority. While Vancouver and Victoria are traditionally the docking sites, both Campbell River and Prince Rupert successfully negotiated development plans for cruise ship facilities. Construction is starting in 2001.

During 2000, some regional airports saw increases in passenger volumes, including Kamloops, Kelowna, Cranbrook and Prince George. Passenger traffic through Vancouver Airport grew modestly while declining in Victoria. Airlines such as Canada 3000, WestJet and Horizon Air took advantage of regional service gaps left after the Air Canada — Canadian Airlines merger. Kelowna now has direct flights to Seattle and Toronto. WestJet recently began non-stop flights between Abbotsford and Toronto and Comox now has daily service to Calgary.

The value of film and television production in British Columbia was $1.2 billion in 2000, up from $1.1 billion in 1999. Production activity outside the Greater Vancouver area has been limited by higher costs and lack of supporting infrastructure. The provincial government provides a regional tax credit as part of its Film and Television Incentive Program to promote film production outside of the Vancouver area.

Budget 2001

British Columbia Economic Review and Outlook
Five-Year Forecast Tables

1. GROSS DOMESTIC PRODUCT — BRITISH COLUMBIA AND CANADA

Gross Domestic Product, Current and Constant Dollars
Real GDP Per Capita
Real GDP Per Employed Person
Unit Labour Cost

2. COMPONENTS OF B.C. REAL GDP AT MARKET PRICES

Personal Expenditures
Government Expenditures
Investment in Fixed Capital
Final Domestic Demand and Net Exports

3. INCOME AND EXPENDITURE

Average Weekly Wage Rate
Labour Income
Personal Income
Corporate Profits
Retail Sales
Housing Starts
Residential Investment
Consumer Price Index

4. LABOUR MARKET INDICATORS

Population, Migration, Participation Rate
Labour Force, Employment, Unemployment Rate
Real GDP Per Employed Person

5. BRITISH COLUMBIA EMPLOYMENT BY SECTOR

Goods Sector
Service Sector

6. ECONOMIC ASSUMPTIONS

Real GDP (Canada, United States, Japan, Germany, Europe)
Housing Starts (Canada, United States)
Consumer Price Index (Canada, United States)

7. FINANCIAL MARKETS

Canadian Interest Rates
United States Interest Rates
Real Interest Rates
Canada/U.S. Exchange Rate

8. SELECTED GROWTH RATES

British Columbia
Canada
United States

Table 1: GROSS DOMESTIC PRODUCT - BRITISH COLUMBIA AND CANADA

March 2001

	ACTUAL			FORECAST				
	1998	1999	2000	2001	2002	2003	2004	2005
BRITISH COLUMBIA:								
GROSS DOMESTIC PRODUCT AT MARKET PRICES:								
- CURRENT DOLLAR ($ million)	113,945	118,783	125,100 e	130,140	134,560	139,770	144,950	150,080
(% change)	0.3	4.2	5.3	4.0	3.4	3.9	3.7	3.5
- REAL (1992 $ million)	102,217	104,323	107,890 e	110,490	113,740	116,860	119,890	122,910
(% change)	0.9	2.1	3.4	2.4	2.9	2.7	2.6	2.5
- GDP DEFLATOR	111.5	113.9	116.0 e	117.8	118.3	119.6	120.9	122.1
(% change)	-0.6	2.2	1.8	1.6	0.4	1.1	1.1	1.0
REAL GDP PER CAPITA (1992 $)	25,567	25,899	26,549 e	26,867	27,326	27,676	27,987	28,293
(% change)	0.0	1.3	2.5	1.2	1.7	1.3	1.1	1.1
REAL GDP PER EMPLOYED PERSON (% change)	0.9	0.1	1.3 e	0.2	-0.2	-0.2	0.1	0.3
UNIT LABOUR COST* (% change)	1.1	0.4	3.2 e	1.3	1.1	1.6	1.3	1.1
CANADA:								
GROSS DOMESTIC PRODUCT AT MARKET PRICES:								
- CURRENT DOLLAR ($ million)	901,805	957,911	1,038,794	1,079,400	1,125,200	1,171,790	1,226,260	1,283,250
(% change)	2.7	6.2	8.4	3.9	4.2	4.1	4.6	4.6
- REAL (1992 $ million)	842,002	880,254	921,485	939,910	963,410	987,500	1,017,130	1,047,640
(% change)	3.3	4.5	4.7	2.0	2.5	2.5	3.0	3.0
- GDP DEFLATOR INDEX (1992 = 100)	107.1	108.8	112.7	114.8	116.8	118.7	120.6	122.5
(% change)	-0.6	1.6	3.6	1.9	1.7	1.6	1.6	1.6
REAL GDP PER CAPITA (1992 $)	27,837	28,867	29,979	30,276	30,726	31,182	31,800	32,429
(% change)	2.4	3.7	3.9	1.0	1.5	1.5	2.0	2.0
REAL GDP PER EMPLOYED PERSON (% change)	0.6	1.7	3.8	0.4	0.9	0.8	1.0	1.0

e: estimate

* Unit labour cost is the nominal cost of labour incurred to produce one unit of real output.

B.C. Ministry of Finance and Corporate Relations

Table 2: COMPONENTS OF BRITISH COLUMBIA REAL GDP AT MARKET PRICES

March 2001

	ACTUAL			FORECAST				
	1998	1999	2000e	2001	2002	2003	2004	2005
PERSONAL EXPENDITURE ON GOODS AND SERVICES (1992 $ billion)	67.0	68.7	71.6	72.9	74.4	76.3	77.9	79.0
(% change)	1.3	2.6	4.2	1.8	2.1	2.6	2.1	1.4
- Goods (1992 $ billion)	29.1	29.9	31.3	31.8	32.6	33.6	34.3	34.6
(% change)	1.1	2.7	4.8	1.6	2.4	3.1	2.1	0.9
- Services (1992 $ billion)	37.8	38.8	40.2	41.0	41.8	42.7	43.6	44.3
(% change)	1.4	2.6	3.7	2.0	1.9	2.1	2.0	1.8
GOVERNMENT CURRENT EXPENDITURES ON GOODS AND SERVICES (1992 $ billion)	19.9	20.3	20.6	20.9	21.3	21.7	22.1	22.5
(% change)	1.5	2.0	1.4	1.8	1.6	1.9	2.0	2.0
INVESTMENT IN FIXED CAPITAL (1992 $ billion)	21.6	23.3	23.9	24.5	25.9	27.3	28.5	29.6
(% change)	-5.4	8.0	2.7	2.6	5.7	5.3	4.5	3.8
FINAL DOMESTIC DEMAND* (1992 $ billion)	108.4	112.3	116.1	118.4	121.6	125.3	128.5	131.2
(% change)	-0.1	3.6	3.4	2.0	2.6	3.0	2.6	2.0
NET EXPORTS OF GOODS AND SERVICES (1992 $ billion)	-7.9	-7.8	-7.9	-7.8	-8.1	-8.7	-8.7	-8.4
- Exports of Goods and Services (1992 $ billion)	42.3	45.1	47.8	49.2	50.6	52.1	54.0	55.9
(% change)	4.1	6.7	6.0	3.0	2.8	3.0	3.5	3.5
- Imports of Goods and Services (1992 $ billion)	50.2	52.9	55.7	57.0	58.7	60.8	62.7	64.2
(% change)	2.7	5.4	5.3	2.4	2.9	3.6	3.2	2.3
INVENTORY CHANGE (1992 $ billion)	1.3	0.2	0.1	0.3	0.5	0.5	0.4	0.4
STATISTICAL DISCREPANCY (1992 $ billion)	0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
REAL GDP AT MARKET PRICES (1992 $ billion)**	102.2	104.4	107.9	110.5	113.7	116.9	119.9	122.9
(% change)	0.9	2.1	3.4	2.4	2.9	2.7	2.6	2.5

e: estimate

* Final domestic demand is the sum of personal expenditures, government expenditures and investment in fixed capital.

** Real Gross Domestic Product at Market Prices is the sum of final domestic demand, net exports, inventory changes and statistical discrepancy.

Table 3: INCOME AND EXPENDITURE

March 2001

	ACTUAL				FORECAST				
	1998	1999	2000		2001	2002	2003	2004	2005
AVERAGE WEEKLY WAGE RATE* ($)	618	625	637		647	663	681	671	680
(% change)	1.3	1.1	1.9		1.5	1.0	1.3	1.5	1.3
LABOUR INCOME ** ($ million)	61,947	63,454	67,490		69,990	72,860	76,070	79,040	81,890
(% change)	2.1	2.4	6.4		3.7	4.1	4.4	3.9	3.6
PERSONAL INCOME ($ million)	97,817	100,212	105,120	e	108,690	112,820	117,330	121,790	126,050
(% change)	2.3	2.4	4.9		3.4	3.8	4.0	3.8	3.5
CORPORATE PROFITS BEFORE TAXES ($ million)	7,123	8,808	9,160	e	9,530	9,290	9,100	9,100	9,420
(% change)	-10.0	23.7	4.0		4.0	-2.5	-2.0	0.0	3.5
RETAIL SALES ($ million)	33,045	33,672	35,755		37,010	38,420	40,230	41,720	42,720
(% change)	-2.0	1.9	6.2		3.5	3.8	4.7	3.7	2.4
HOUSING STARTS	19,931	16,309	14,418		15,300	17,200	21,500	22,500	22,500
(% change)	-32.1	-18.2	-11.6		6.1	12.4	25.0	4.7	0.0
RESIDENTIAL INVESTMENT *** ($ million)	7,893	7,473	7,580	e	8,070	8,660	9,310	9,770	10,020
(% change)	-11.6	-5.3	1.4		6.5	7.3	7.5	4.9	2.6
CONSTANT DOLLAR GROWTH RATES:									
AVERAGE WEEKLY EARNINGS	1.0	0.0	0.0		-0.2	-0.6	-0.3	-0.1	-0.3
LABOUR INCOME	1.8	1.3	4.4		2.0	2.5	2.8	2.3	2.0
PERSONAL INCOME	2.0	1.3	3.0		1.7	2.2	2.4	2.2	1.9
CORPORATE PROFITS	-10.2	22.3	2.1		2.3	-4.0	-3.5	-1.6	1.9
RETAIL SALES	-2.3	0.8	4.3		1.8	2.2	3.1	2.1	0.8
RESIDENTIAL INVESTMENT	-10.2	-6.4	-0.5		4.0	4.5	6.0	3.6	3.6
B.C. CONSUMER PRICE INDEX (1992 = 100)	110.0	111.2	113.3		115.2	117.0	118.9	120.8	122.7
(% change)	0.3	1.1	1.9		1.7	1.6	1.6	1.6	1.6

e: estimate
* Includes overtime
** Domestic basis; wages, salaries and supplementary labour income.
*** Includes renovations and improvements.

Table 4: LABOUR MARKET INDICATORS

March 2001

	ACTUAL				FORECAST			
	1998	1999	2000	2001	2002	2003	2004	2005
POPULATION (on July 1) (000's)	3,998	4,028	4,064	4,113	4,162	4,223	4,284	4,344
(% change)	1.0	0.8	0.9	1.2	1.2	1.4	1.4	1.4
LABOUR FORCE POPULATION, 15+ YEARS (000's)	3,159	3,193	3,238	3,293	3,346	3,407	3,470	3,534
(% change)	1.5	1.1	1.4	1.7	1.6	1.8	1.8	1.8
NET IN-MIGRATION								
- INTERNATIONAL**	26,687	32,641	31,900 e	29,600	32,100	33,500	34,200	35,200
- INTERPROVINCIAL	-17,521	-8,129	-11,800 e	0	13,500	18,600	14,000	14,900
- TOTAL	11,166	24,512	20,100 e	29,600	45,600	52,100	48,200	50,100
PARTICIPATION RATE* (%)	64.9	65.1	64.9	65.3	66.1	66.6	66.9	67.2
LABOUR FORCE (000's)	2,051	2,079	2,100	2,151	2,213	2,270	2,323	2,375
(% change)	0.5	1.4	1.0	2.4	2.9	2.6	2.3	2.3
EMPLOYMENT (000's)	1,870	1,906	1,949	1,992	2,054	2,115	2,167	2,216
(% change)	0.1	1.9	2.2	2.2	3.1	3.0	2.5	2.3
UNEMPLOYMENT RATE (%)	8.8	8.3	7.2	7.4	7.2	6.8	6.7	6.7
REAL GDP PER EMPLOYED PERSON (% change)	0.9	0.1	1.3	0.2	-0.2	-0.2	0.1	0.3

e: estimate
* Percentage of the population 15 years of age and over in the labour force.
** International includes net non-permanent residents and returning emigrants less net temporary abroad

B.C. Ministry of Finance and Corporate Relations

Table 5: BRITISH COLUMBIA EMPLOYMENT BY SECTOR

March 2001

GOODS SECTOR EMPLOYMENT (000)	ACTUAL		FORECAST	
	1999	2000	2001	2002
FORESTRY & LOGGING	30	37	41	41
OTHER PRIMARY	47	48	47	47
MANUFACTURING	192	205	212	222
- Wood Products	42	47	47	48
- Paper & Allied	22	18	16	16
- Other Mfg.	126	141	149	158
CONSTRUCTION	115	113	106	102
UTILITIES	12	11	12	12
TOTAL GOODS INDUSTRIES	397	414	418	424
(% change)	-3.0	4.5	0.8	1.4

SERVICE SECTOR EMPLOYMENT (000)	ACTUAL		FORECAST	
	1999	2000	2001	2002
TRANSPORTATION & WAREHOUSING	118	114	114	118
TRADE	309	303	307	320
FINANCE, INSURANCE & REAL ESTATE	120	120	123	128
COMMUNITY, BUSINESS & PERSONAL SERVICES	873	907	940	973
PUBLIC ADMINISTRATION	90	90	91	92
TOTAL SERVICE INDUSTRIES	1,510	1,534	1,575	1,631
(% change)	3.3	1.6	2.7	3.5
TOTAL EMPLOYMENT	1,906	1,949	1,993	2,054
(% change)	1.9	2.2	2.2	3.1

Table 6: ECONOMIC ASSUMPTIONS

March 2001

	ACTUAL			FORECAST				
	1998	1999	2000	2001	2002	2003	2004	2005
REAL GDP (billions)								
CANADA (1992 $)	842.0	880.3	921.5	939.9	963.4	987.5	1017.1	1047.6
(% change)	3.3	4.5	4.7	2.0	2.5	2.5	3.0	3.0
U.S.A. (1996 U.S.$; chain-weighted)	8,516	8,876	9,319	9,487	9,728	9,971	10,266	10,570
(% change)	4.4	4.2	5.0	1.8	2.5	2.5	3.0	3.0
JAPAN (1995 Yen)	518,358	522,278	530,600 e	538,600	549,400	560,400	571,600	584,200
(% change)	-1.1	0.8	1.6	1.5	2.0	2.0	2.0	2.2
GERMANY (1995 DM)	3,674	3,731	3,841	3,953	4,055	4,145	4,236	4,329
(% change)	2.1	1.6	3.0	2.9	2.6	2.2	2.2	2.2
EUROPE* (% change)	2.7	2.4	3.3 e	2.8	2.7	2.5	2.5	2.5
HOUSING STARTS (000's)**								
CANADA	137	150	152	155	160	160	160	160
(% change)	-6.5	9.1	1.1	2.2	3.3	0.0	0.0	0.0
U.S.A.	1,617	1,667	1,592	1,480	1,500	1,430	1,450	1,475
(% change)	9.7	3.1	-4.5	-7.1	1.4	-4.7	1.4	1.7
JAPAN	1,198	1,215	1,230	1,238	1,238	1,250	1,250	1,250
(% change)	-13.6	1.4	1.3	0.7	0.0	1.0	0.0	0.0
CONSUMER PRICE INDEX								
CANADA (1992=100)	108.6	110.5	113.5	116.2	118.5	120.9	123.3	125.8
(% change)	0.9	1.7	2.7	2.4	2.0	2.0	2.0	2.0
U.S.A. (1982-1984=100)	163.9	168.3	174.0	178.7	183.2	188.1	193.4	198.8
(% change)	1.6	2.7	3.4	2.7	2.5	2.7	2.8	2.8

e: estimate

* European Union less Luxembourg, plus Austria, Finland, Iceland, Norway, Sweden, Switzerland, Turkey, and former Yugoslavia.

** British Columbia housing starts appear in Table 3.

Table 7: FINANCIAL MARKETS

March 2001

	ACTUAL			FORECAST		
	1998	1999	2000	2001	2002	2003-2005
CANADIAN INTEREST RATES (%)						
3-MONTH TREASURY BILLS	4.7	4.7	5.5	4.8	5.0	5.3
LONG-TERM GOVERNMENT BONDS (10 years and over)	5.6	5.7	5.9	5.3	5.3	5.5
UNITED STATES INTEREST RATES (%)						
3-MONTH TREASURY BILLS	4.8	4.6	5.8	4.9	4.8	5.2
LONG-TERM GOVERNMENT BONDS (10 years and over)	5.7	6.1	6.1	5.3	5.3	5.5
REAL INTEREST RATES* (%)						
CANADIAN TREASURY BILLS	3.8	3.0	3.7	3.1	3.3	3.5
U.S. TREASURY BILLS	3.2	2.0	3.6	2.6	2.5	3.0
CANADIAN LONG-TERM BONDS	4.7	4.0	4.2	3.6	3.5	3.8
U.S. LONG-TERM BONDS	4.1	3.5	3.9	3.0	3.0	3.3
EXCHANGE RATE (U.S. cents / Canadian $)	67.4	67.3	67.3	66.4	68.0	69.7

* Real interest rates are nominal interest rates minus expected inflation. The real interest rates in this table are based on actual and forecast inflation rates shown in Table 6.

Table 8: SELECTED GROWTH RATES

March 2001

	ACTUAL			FORECAST				
	1998	1999	2000	2001	2002	2003	2004	2005
BRITISH COLUMBIA (%)								
REAL GDP	0.9	2.1	3.4	2.4	2.9	2.7	2.6	2.5
CONSUMER PRICE INDEX	0.3	1.1	1.9	1.7	1.6	1.6	1.6	1.6
LABOUR FORCE	0.5	1.4	1.0	2.4	2.9	2.6	2.3	2.3
EMPLOYMENT	0.1	1.9	2.2	2.2	3.1	3.0	2.5	2.3
UNEMPLOYMENT RATE (level)	8.8	8.3	7.2	7.4	7.2	6.8	6.7	6.7
AVERAGE WEEKLY EARNINGS	1.3	1.1	1.9	1.5	1.0	1.3	1.5	1.3
PERSONAL INCOME	2.3	2.4	4.9	3.4	3.8	4.0	3.8	3.5
RETAIL SALES	-2.0	1.9	6.2	3.5	3.8	4.7	3.7	2.4
CORPORATE PROFITS	-10.0	23.7	4.0	4.0	-2.5	-2.0	0.0	3.5
CANADA (%)								
REAL GDP	3.3	4.5	4.7	2.0	2.5	2.5	3.0	3.0
CONSUMER PRICE INDEX	0.9	1.7	2.7	2.4	2.0	2.0	2.0	2.0
EMPLOYMENT	2.7	2.8	2.6	1.6	1.7	2.0	2.0	2.0
POPULATION (on July 1)	0.9	0.9	0.8	1.0	1.0	1.0	1.0	1.0
LABOUR INCOME	4.7	5.1	7.2	5.0	4.0	4.5	5.0	5.0
U.S.A. (%)								
REAL GDP	4.4	4.2	5.0	1.8	2.5	2.5	3.0	3.0
CONSUMER PRICE INDEX	1.6	2.7	3.4	2.7	2.5	2.7	2.8	2.8